

Message Text

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43

ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 COME-00 TRSE-00 L-03 AID-20

IGA-02 /065 W

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P 211215Z JUN 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 4011

LIMITED OFFICIAL USE BRASILIA 4522

DEPT. PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: FOREIGN GOVERNMENT APPROVALS (FGA'S)

REF: BRASILIA 3639

1. THE EMBASSY TODAY, JUNE 20, HAS BEEN INFORMED OF THE FOLLOWING
CENTRAL BANK FGA - OPIC CASE NUMBER 512-72-255. US INVESTOR
IS INTERNATIONAL STANDARD ELECTRIC CORP. BRAZILIAN RECIPIENT
IS STAND ELECTRICA S/A. FOR THIS APPLICATION, CENTRAL
BANK HAS ISSUED CERTIFICATE NUMBER 152/271 COVERING AN
INVESTMENT IN CASH OF 8,232,287.92.

2. THE CENTRAL BANK HAS ALSO AUTHENTICATED THE FOLLOWING
DOCUMENTS RELATING TO OPIC CASE 512/71/452, OCCIDENTAL
PETROLEUM CORPORATION:

A. A LETTER (FIRCE-6-C-71-963) DATED NOVEMBER 25, 1971 INDICATING
CENTRAL BANK'S APPROVAL IN PRINCIPLE FOR THE REINVESTMENT OF
CR 6,700,000 DURING THE PRIOD 5/1/69 TO 4/30/70. THE LETTER
ALSO INDIATES THAT THE BANK DOES NOT APPROVE, FOR OPIC PUR-
POSES THE IMPORTATION OF US 1,080,000 BECAUSE THE CREDITOR
WAS THE BANK OF BOSTON INTERNATIONAL, WHO WAS NOT MENTIONED
IN THE ORIGINAL APPLICATION.

B. FGA NUMBER 360/4360/847 ISSUED TIN RIO DE JANEIRO ON
APRIL 24, 1974 - THE INVESTOR IS HOOKER/OXY CHEMICAL CO.

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THE BRAZILIAN RECIPIENT IS SODAPLAST SOCIEDADE PARA

DESENVOLVIMENTO DE PLASTICOS LTDA. THE AMOUNTS ARE US
FOLLOWS:

	US DOLLARS	CRUZEIROS
INVESTMENT	1,807,870.42	3,614,793.94
REINVESTMENT	5,735,425.45	17,997,774.64
MONETARY CORRECTION		25,298,373.42

CAPITAL OF THE FIRM IS RECORDED AS CR\$ 47,456,839.
C. FGA NUMBER 60/2487/5881 ISSUED IN RIO DE JANEIRO
ON SEPTEMBER 9, 1971 - THE INVESTOR IS OCCIDENTAL PETROLEUM
CORPORATION. THE BRAZILIAN RECIPIENT IS VULCAN MATERIAL
PLASTICO S/A. THE AMOUNTS ARE AS FOLLOWS:

	USDOLLARS	CRUZEIROS
INVESTMENT	2,786,933.76	9,009,969.46
REINVESTMENT	2,443,152.60	4,346,719.00
MONETARY CORRECTION		4,375,367.54

CAPITAL OF COMPANY IS LISTED AS CR\$ 61,3000,000.

3. THE CENTRAL BANK HAS ALSO INFORMED THE EMBASSY, THAT AN
ERROR WAS MADE IN THE ISSUANCE OF FGA CERTIFICATE NUMBER
152/270 COVERING A\$2 MILLION LOAN FROM ARVIN INDUSTRIES INCM
TO ARVIN INDUSTRIA E COMERCIO LTDA., CASE NUMBER 512-
74-025. WHEN ISSUING FGA, CENTRAL BANK OFFICE IN CHARGE
OF OPIC AFFAIRS WAS NOT AWARE OF A CENTRAL BANK REGULATION
(NO. 186) WHICH FORBIDS HOLDING COMPANIES FROM
RECEIVING FOREIGN CASH LOANS. ACCORDINGLY, THE FUNDS UNDER
QUESTION WILL NOT BE PERMITTED TO ENTER THE COUNTRY. IF OPIC HAS
NOT YET WRITTEN THE INSURANCE, THE BANK WOULD APPRECIATE
OPIC CONSIDERING THE FGA AS INVALID, OR IF WRITTEN, THE
BANK WOULD LIKE IT RECINDED. CENTRAL BANK OFFICIALS
EXPRESSED THEIR EMBARRASSMENT OVER WHAT WAS AN INTERNAL BREAKDOWN
IN COMMUNICATIONS AND EMPHASIZED, REPEATEDLY, DURING RECENT
CONVERSATION THAT THEY HAD NO RECOURSE IN THE MATTER, AND
THAT IT SHOULD NOT BE INTERPRETED IN ANY MANNER OR FORM AS
A REFLECTION OF THE BANK'S ATTITUDE TOWARDS OPIC POLICY
OR AS A CHANGE IN BANK'S POLICY. THE CENTRAL BANK REGULATION
186 IS GENERAL IN NATURE AND NOT DIRECTLY POINTED TOWARD
OPIC. CENTRAL BANK OFFICIAL INDICATED THAT IF COMPANY
WAS ABLE TO CHANGE LOAN TO AN EQUITY INVESTMENT, IT WOULD
PROBABLY BE APPROVED.

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COMMENT: EMBASSY BELIEVES THAT BANK'S EXPLANATION OF ITS
RECINDING OF ARVIN'S FGA SHOULD BE TAKEN AT FACE VALUE. FGA
WAS HURRIEDLY ISSUED PARTLY TO SHOW THAT BANK DOES NOT
OBJECT TO PROJECTS INVOLVING HOLDING COMPANIES (REPORTED REFTEL).
OFFICE OF BANK DEALING WITH OPIC WAS OBVIOUSLY NOT FAMILIAR
WITH BANK REGULATIONS RELATING TO TRANSFERRING OF FUNDS TO
SUCH COMPANIES. IT IS EMBASSY'S OPINION THAT, IN THE FUTURE,
EQUITY INVESTMENT APPLICATIONS INVOLVING HOLDING COMPANIES

WILL CONTINUE TO BE CONSIDERED ON MERITS OF PROJECT AS
EVIDENCED BY FACT THAT ARVIN FGA FOR ITS 960,000 EQUITY
INVESTMENT WAS NOT RECINDED.

4. EMBASSY IS TRANSMITTING, VIA POUCH, COPIES OF ALL DOCUMENTS
RECEIVED FROM CENTRAL BANK.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, BUSINESS FIRMS, BANK LOANS, BANK LAW, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740163-0144
From: BRASILIA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1974/newtext/t19740626/aaaaavrn.tel
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
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Review Event:
Review Exemptions: n/a
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Review Markings:

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30 JUN 2005

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Review Release Event: n/a
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TAGS: EFIN, BR, ARVIN INDUSTRIES INC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005